



"Representing the state's largest ag industry"

June 30, 2003

Ms. Tess Butler

USDA/Grain Inspection, Packers and Stockyards Administration
1400 Independence Ave. SW., Room 1647-S
Washington, DC 20250-3604

Dear Ms. Butler:

The Nebraska Cattlemen appreciates this opportunity to provide comments on the upcoming USDA/Grain Inspection, Packers and Stockyards Administration (GIPSA) study of marketing methods used in the livestock and red meat industries, consistent with notice published on page 32455 of the Federal Register on May 30, 2003. NC has devoted extensive time and effort to the aforementioned issues, and the Association supports a timely, thorough, and unbiased review of current marketing methods throughout the beef industry.

Over the past decade, marketing methods in the fed cattle sector and throughout the beef industry have evolved increasingly away from daily bid and offer negotiations and towards long term marketing agreements and binding business relationships between buyers and sellers. NC has fostered concerns over the growing lack of transparency in both the fed cattle and boxed beef trade and specifically about the potential downward price bias that can develop at the feeder-packer interface when packers acquire a large percentage of their live inventory needs via various non-cash mechanisms. Such acquisitions allow packers to participate in the cash market on a limited basis to fill in their remaining live inventory needs.

There has been considerable attention to the issue of direct packer ownership of livestock and livestock feeding facilities over the last couple of years. While direct packer ownership represents a small portion of the wider issue of "captive supplies," NC would suggest that the scope of the GIPSA study not focus too much attention on the narrow topic of packer ownership, but rather be sure that the larger "captive supply" challenges facing the beef cattle industry be addressed. In addition to direct packer ownership, captive supplies include non-negotiated sales, forward contracts (without a negotiated base price), or other "priced-later" arrangements. All of these non-cash mechanisms allow packers to acquire live inventory without direct participation in the bid and offer marketplace. Further complicating the issue is the fact that the vast majority of non-cash fed cattle transactions are ultimately priced by using some sort of cash market "base" price (which becomes more "thinly" traded as these non-cash transactions increase).

NC recommends that GIPSA visit with a balanced and unbiased sample of participants in the fed cattle and beef trade and closely related pursuits to gather information for the completion of this study. Among those individuals and entities should be cash and non-cash marketers of fed cattle,

packer procurement managers and field buyers, cattle association market information specialists, USDA Livestock Market News representatives and participants in the CME Live Cattle futures trade (from both a hedging and speculative perspective).

In closing, NC appreciates this effort on behalf of Congress and USDA/GIPSA to assist the cattle and beef industry in dealing with these complex and dynamic issues. NC stands ready to assist in any way possible with the completion of this study. Please contact myself at (402) 475-2333 with any questions you may have.

Respectfully,

A handwritten signature in black ink, appearing to read 'GR', with a long horizontal flourish extending to the right.

Greg Ruehle
Executive Vice President
Nebraska Cattlemen, Inc.